

CITY COUNCIL PROCEEDINGS

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MINUTES OF THE MEETING OF THE CITY COUNCIL

Wichita, Kansas, January 27, 2004
Tuesday, 9:30 A.M.

The City Council met in regular session with Mayor Mayans in the Chair. Council Members Brewer, Fearey, Gray, Lambke, Martz, Schlapp; present.

Cathy Holdeman, Interim City Manager; Gary Rebenstorf, Director of Law; Karen Schofield, City Clerk; present.

The pledge of allegiance to the flag was participated in by the Council Members, staff, and guests.

The Minutes of the regular meeting of January 13, 2004, were approved 7 to 0.

NEW BUSINESS

WATERWALK PUBLIC HEARING

PUBLIC HEARING AND ADOPTION OF WATERWALK REDEVELOPMENT PROJECT PLAN. (DISTRICT I)

Agenda Report No. 04-0060

Allen Bell

Economic Development Director reviewed the item.

In 1995, the City Council took the necessary legal steps to establish the East Bank Redevelopment District for the purpose of generating tax increment financing ("TIF") for public improvements located within the district. On June 18, 2002, the City Council reduced the boundaries of the East Bank Redevelopment District to include Douglas Avenue to Kellogg Street and from Main Street to McLean Boulevard. The District was initially established to provide for TIF in connection with the development of the Hyatt Hotel and a TIF project plan was adopted by the City Council for that purpose in January 1998.

State law provides that multiple redevelopment projects may be undertaken within the same redevelopment district, with the City Council adopting a separate project plan for each redevelopment project. It is proposed that a new project plan be adopted for the East Bank Redevelopment District in connection with the WaterWalk Redevelopment Project, in order to authorize the use of TIF as a funding source for eligible WaterWalk improvements.

On March 25, 2003, the City Council considered adoption of a TIF project plan for the WaterWalk Project; however, the question failed to receive the two-thirds majority vote required for passage. Additional negotiations between the City and the developers, WaterWalk LLC, have resulted in amendments to the development agreement and master plan and a revised WaterWalk Project Plan is presented herewith for Council consideration. On December 16, 2003, the City Council adopted a resolution stating it is considering the adoption of the Redevelopment Project Plan and directed the City Clerk to give notice that a public hearing would be held on the matter on January 27, 2004.

In order to issue tax increment financing bonds to finance costs for improvements undertaken in connection with a redevelopment project located within a redevelopment district, the City must first adopt a redevelopment project plan that describes the project area and the projects being financed with TIF revenue. The project plan must also include a comprehensive financial feasibility study that shows that the income derived from the project will be sufficient to pay for applicable costs, including debt service on the TIF bonds.

The WaterWalk project area for TIF purposes is from Kellogg Street to Waterman Street and from Main Street to McLean Boulevard. The plan for redevelopment of the WaterWalk project area includes a private mixed-use commercial and residential development that incorporates a public "waterway"

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feature, public plazas, streetscape improvements and free public parking. The private development will include a national destination retail store and several mixed-use commercial buildings, including office space, entertainment, retail, and restaurant establishments and residential units including apartments and high-end condominiums, and a possible limited service hotel. Tax increment financing is one of several sources of financing within the project area, which also include developers' debt and equity funds, parking revenues, federal grant funds and city-at-large funding. STAR bonds, which require separate authorization, will be used to finance costs associated with the destination retail store.

The financial feasibility study contained in the WaterWalk Project Plan examines the projected change in assessed valuation of the property located within the East Bank Redevelopment District from the base year (1995) to the year in which planned redevelopment projects will be fully reflected in the County's database of property values (2011). The following table summarizes the revenue side of the analysis:

	<u>1995 Base Year</u>	<u>2011 Projected</u>
Appraised Value	\$4,596,440	\$80,645,000
Assessed Valuation	\$880,075	\$17,370,250
Captured Valuation		\$16,490,175
Annual Tax Increment		\$2,233,039

The analysis assumes that only those projects which are currently planned will be constructed, that assessed property values in the district will remain unchanged once the planned developments are completed, and that the City/County/School District mill levy will not increase or decrease. The analysis shows that the stream of projected tax increment revenues, together with anticipated parking revenues is sufficient to retire the principal and interest on a \$23 million general obligation tax increment bond issue over a fifteen-year period at current interest rates. The balance of the project costs will be financed by general obligation bonds paid from general property tax revenues as provided for in the Capital Improvement Program and from the proceeds of a federal grant.

USE OF TAX INCREMENT FINANCING

Upon adoption of the redevelopment project plan, the City will have established its authority under state law to issue general obligation bonds to finance the TIF-eligible improvements, as follows:

Land acquisition	\$4,900,000
Waterway improvements	8,034,032
Public parking facilities	8,610,000
Streetscape improvements	3,625,054
Design/engineering costs	1,531,710
Riverbank improvements	750,000
Demolition/site work	1,349,204
Total TIF-eligible costs	\$28,800,000

State law directs the City to prepare the redevelopment project plan in consultation with the Wichita-Sedgwick County Metropolitan Area Planning Commission. On January 22, 2004, the planning commission met to consider the WaterWalk Redevelopment Project Plan and adopted a resolution finding that the Project Plan is consistent with the general comprehensive plan for development of the City.

It is anticipated that the projects funded with tax increment financing will be financed with full faith and credit tax increment bonds. The WaterWalk Development Agreement includes a developer guaranty that the developer will build improvements with a taxable value of at least \$33 million, or will make payments in-lieu of taxes that make up the difference. In the event that tax increment revenues and/or guaranty payments fall short of debt service requirements, supplementary City-at-large funding will be required.

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Under state tax increment financing statutes, the adoption of a redevelopment project plan requires the adoption of an ordinance by a two-thirds majority vote. Once adopted, the City Clerk must forward copies of the Ordinance to the County Clerk, County Treasurer and County Appraiser.

- Council Member Fearey Council Member Fearey inquired if the marina would be included in the public improvements that would be maintained as part of the funding project.
- Allen Bell Allen Bell explained that in the financing model for the WaterWay, they have built in a budget starting at \$100,000 a year and then inflating each year by 2.5% to create a fund, which is from the revenues. In addition, the parking revenue has been calculated in a similar fashion where they have started with \$100,000 per year for operating cost.
- Council Member Lambke Council Member Lambke inquired if there was a figure for the value of the city owned property.
- Allen Bell Allen Bell explained that \$4.5 million dollars has been spent to acquire property that the City did not already own. Prior to this there was a section of land between Waterman and Lewis, west of Main, which was purchased for \$700,000 or \$800,000. Before that, the City was purchasing property on an opportunity basis going back 30 years and not sure of the amount that was paid for all of that property.
- Council Member Lambke Council Member Lambke asked Allen Bell to explain about the City gaining a 25% net cash flow.
- Allen Bell Allen Bell explained that the developers will be developing commercial real estate and they will be "landlords" or they will be selling off development pads. Their cash flow would then come from these lease payments after paying all of the operating expenses and after a certain return on the investment, then the net cash flow after that would be shared with the City. The developer would have 75% and the City would have 25%.
- Mayor Mayans Mayor Mayans inquired whether anyone wished to be heard.
- Charlotte Foster Ms. Foster with the Great Neighborhood Association and District Advisory Board III, asked if there will be parking stalls and parking meters. Stated that this might inhibit the public from visiting this area.
- Allen Bell Allen Bell explained that the model for parking in the WaterWalk area is the model for parking in the Kansas City Country Club Plaza Area. Stated that there will be some private parking for residential tenants and offices but there will be substantial free public parking and there will not be any parking meters.
- Newell Laymon Mr. Laymon resides at 515 Menlo Drive and stated that when this project was originally started in 1995, the economy was in much better shape than it is today. There have been around 12,000 aircraft workers who have been laid off and that these jobs will not be coming back to Wichita. Stated that we are in a serious recession. Stated that we need training facilities and that this project is a warm weather facility, which would not be used much during the winter months. Asked why would we select one business such as Bass Pro to come in and run out our other businesses. Asked why this issue was not being voted on by the public.
- Clay Bastain Mr. Bastain at 100 East English Street, is representing the Downtown Development Corporation and the 1400 businesses and 21,000 workers that make up the downtown business district. Stated that he is here to voice support for creating the tax increment financial district for the Wichita WaterWalk Project. The Downtown Development Corporation has endorsed the WaterWalk project because it will create jobs for area residents, bring new business to downtown, improve our tourism and convention industry and attract more people to live downtown. Stated that it will also bring over 80 million dollars in new investment from the private sector to an area that is underdeveloped and under-performing and that this area has been dormant too long. Stated we should remember that both of these financial tools are temporary and will go away when the project is paid off. Urged the Council to support the project.
- Larry Webber Mr. Webber, Vice-President of the Garvey Center and President of BOMA, the Wichita Chapter of the Building Owners Managers Association, stated that his members represent over one million square feet

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of commercial space in downtown. They support the WaterWalk, TIF and are hoping that the Council will support it also.

- Name not given Stated that he has a passion for downtown and that the City itself is a redevelopment project and downtown is the core of the City and that a new development or redevelopment project requires one parcel to make it successful and that is an anchor. An anchor is chosen by a developer to provide incentives and reasons for businesses and people to locate and develop around their area. Stated that Wichita has never had an anchor and that the Wichita WaterWalk is the anchor. Stated that he would implore the Council to consider helping with the financing to get the anchor in place to redevelop the rest of the downtown area.
- Bruce Riley Mr. Riley stated that he and his family chose to live in Wichita and that it is vital for his family to have a stake in what is being voted on today. His firm has moved from College Hill to the downtown area and has about 30 employees and plans on growing about 20-30% percent over the next two years. Stated that they chose to relocate downtown because it is the core of what happens to his business and it is where many of his clients are. Stated that WaterWalk represents what is really going to happen in the long term downtown area.
- John Rolfe Mr. Rolfe, President and CEO of the Greater Wichita Convention and Visitors Bureau, stated that this project would significantly increase tourism and enhance the quality of life for the residents in Wichita and the surrounding areas. Read aloud a quote that was stated by a consultant, "The river is a significant yet under-utilized asset for the City and its downtown and must be exploited more effectively as part of any tourism marketing effort. For that reason and if the revitalization of downtown is to continue, the WaterWalk Project requires serious consideration and support as long as it does not constitute a heavy financial drain on the City's tax base. In that light consideration should also be given to the formation of a TIF District to finance the project."
- Mike Whalen Mr. Whalen, who is an attorney in the downtown area, stated that in 1995 we did not have the September 11th problem, did not have 12,000 people unemployed, we were not staring into the abyss of Boeing being sold and the loss of jobs and money. Stated that he did not recall in the Wichita Eagle that there was 28 million dollars going towards helping the people that lost their jobs or to the schools where there are still schools without air conditioning and students who are scoring less than 30% on their middle school boards. Stated that this is where this money could be better spent to assist Wichita and help it grow as an investment in our children and in our workers who are going to need jobs and employment. Stated that we have for-profit businesses utilizing public monies when they should be putting the money forth themselves. Stated that the Hyatt has yet to earn any money but has been a cash cow for the City for a number of years and with Fair Fares where the benefits of the lower fares goes to only the select few who are able to afford to travel by air, which is not the majority of the population of the City of Wichita. Stated that there are other issues that need to be addressed and other areas where this money could be better spent.
- Mayor Mayans Mayor Mayans asked Mr. Whalen to call him or come by his office to discuss some of the issues he addressed today.
- Sam Williams Mr. Williams stated that in the past three years the Council has made very intelligent business decisions with his tax dollars and he is very aware of how much he pays in taxes. Stated that he is asking the Council to support and vote for the WaterWalk project and to continue this effort for the success of our community.
- Mayor Mayans Mayor Mayans closed the public hearing.
- Council Member Schlapp Council Member Schlapp stated that she feels this is part of a new era and it is a very important day in our City. Stated that we have an opportunity to make a stand and see the City move forward and we need to invest in this City to cause people to want to come and invest in tourism and bring in jobs, which will increase our tax base.
- Council Member Brewer Council Member Brewer stated that today is an exciting day for him and that we need to make the investments today for the returns that we will receive in the future. Stated that he thinks that the decision today is to support the WaterWalk Project.

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- Council Member Lambke Council Member Lambke stated he still has reservations about approving this project. Stated that he has a problem with accepting the projected estimated revenues. Thinks this project will be beneficial to the City of Wichita, but to a lot of people, the downtown area is not relevant to their way of life and does not see anything here that will draw them down there. Stated that he has an objection to using tax money to create businesses that compete with existing businesses. Stated that the amount of money that the citizens are going to invest in this looks out of proportion to the overall investment. Stated that our cash reserves are dwindling and that we probably have half the cash reserves that we had three years ago and are projected to decrease further. Stated that he would like the people to know that everyone on this Council is not loose with a buck.
- Council Member Fearey Council Member Fearey stated that any household that saves for the future and invests in their future is making the wise financial decision and thinks that this is what the Council has the opportunity to do today. Stated that this project will put the City of Wichita on a different map as far as what people are looking at when they look at where they want to live and raise their families and where they want to invest their dollars. Stated that she is very excited and pleased to support the financing part of this project.
- Council Member Gray Council Member Gray stated that he has many family and friends who have left this City because the jobs are not here and the quality of life is not what they have grown accustomed to while growing up. Stated that it is important to have projects like this because it ensures the quality of life to be raised, it will help stabilize our economic and financial situation and increase the quality of life that the youth of this city desire and demand of where they live and help redevelop downtown Wichita. Stated that he is fully in support of the project and will be supporting it today.
- Mayor Mayans Mayor Mayans stated that over the last eight months he has spent a great deal of time with Tom Johnson and Dave Wells and they educated him about the project along with Allen Bell and other members of Staff regarding how the project will work and how the financing would be accomplished. Stated that we need to have a vision and take bold action and that we have that vision in front of us today and it is time to take that bold action.
- Motion--
-- carried Mayans moved to close the public hearing and approve first reading of the ordinance adopting the WaterWalk Redevelopment Project Plan. Motion carried 6 to 1, (Lambke NO.)

ORDINANCE

An Ordinance adopting a Redevelopment Project Plan for the WaterWalk Redevelopment Project for the East Bank Redevelopment District, introduced and under the rules laid over.

- Motion--carried Mayans moved to recess to the workshop in the Board Room. Motion carried 7 to 0.
- At 12:25 p.m. Mayans moved that the City Council recess into Executive Session to consider: Consultation with legal counsel on matters privileged in the Attorney-Client relationship relating to: Pending litigation, Legal advice, Contract negotiations, and Matters relating to employer-employee negotiations and that the Council return from Executive Session no earlier than 1:00 p.m. and reconvene in the Board Room. Motion carried 7 to 0.
- RECONVENE The Council reconvened in the Board Room at 1:00 p.m. and Mayor Mayans announced that no action was taken during the Executive Session.
- Motion--carried Mayans moved at 1:02 p.m. to adjourn from Executive Session. Motion carried 7 to 0.
- Motion--carried Mayans moved at 3:25 p.m. to adjourn the Regular Meeting. Motion carried 6 to 0. (Brewer absent)
- Adjournment The City Council meeting and workshop adjourned at 3:25 p.m.

Karen Schofield
City Clerk